

## Message Text

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ACTION SS-30

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FM AMEMBASSY PHNOM PENH

TO SECSTATE WASHDC PRIORITY 5077

C O N F I D E N T I A L PHNOM PENH 2640

EXDIS

E.O. 11652: GDS

TAGS: EAID, EFIN, CB

SUBJECT: IMF PRESENCE IN CAMBODIA

REF: (A) STATE 34370

(B) STATE 29048

1. EVERS HAS SENT LETTER TO THE GOVERNOR OF THE BNC WITH COPIES TO THE PRIME MINISTER AND THE MINISTER OF FINANCE. ITS CONTENTS ARE MOST DISTRESSING AND TO US APPEAR TO BE IN VIOLATION OF INSTRUCTIONS AS OUTLINED IN REF (B).

2. ENGLISHED TRANSLATION OF LETTER IS AS FOLLW: QUOTE DEAR MR. GOVERNOR. DURING MY VISIT IN WASHINGTON I DISCUSSED THOROUGHLY THE CIRCUMSTANCES WHICH BROUGHT ABOUT THE DEPRECIATION OF THE RIEL JANUARY 3, 1973. THESE DISCUSSIONS CONCLUDED:

A. THE PROCEDURES FOLLOWED FOR THE DEPRECIATION VIOLATED ARTICLE 9 OF THE ESF.

B. THE ANTICIPATED BUDGET EXPENDITURES FOR 1974 DO NOT INDICATE A SERIOUS EFFORT ON THE PART OF THE KHMER AUTHORITIES FOR A STABILIZED PROGRAM.

C. THERE NO LONGER EXISTS THE NECESSARY COOPERATION BETWEEN THE AMERICAN EMBASSY AND THE IMF RES REP FOR THE IMF REP TO FORMULATE MONETARY POLICY AND EXCHANGE RATE POLICY.

D. THE ROLE OF THE NATIONAL BANK SEEMS TO BE ADVERSELY AFFECTED BY THE NEW STRUCTURE FOR FORMULATION OF ECONOMIC AND MONETARY POLICY.

THE IMF MISSION DOUBTS THAT UNDER THESE CONDITIONS THE  
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NATIONAL BANK COULD MAINTAIN ITS TRADITIONALLY INDEPENDENT ROLE AS GUARDIAN OF CURRENCY AND SENSIBLE MONETARY POLITYC. HOWEVER THE IMF HAS DISCUSSED ALL THESE PROBLEMS WITH THE REPRESENTATIVES OF AID IN WASHINGTON AND HAS TRIED TO ESTABLISH

A WORKING RELATIONSHIP BETWEEN THE AMERICAN EMBASSY AND THE  
RES REP WHICH COULD CONTRIBUTE TO THE JUSTIFICATION OF THE  
LATTER'S PRESENCE IN CAMBODIA. THESE DISCUSSIONS WERE NOT  
SUCCESSFUL AND CONSEQUENTLY THE MANAGEMENT OF THE IMF HAS  
DECIDED TO WITHDRAW ITS REPRESENTATIVE.

I AM AUTHORIZED TO TELL YOU OF THE PROFOUND REGRETS OF ALL WHO  
HAVE PARTICIPATED IN THIS DECISION AND IN PARTICULAR THOSE OF  
MR. WOODLEY AND MR. CHABRIER. AFTER THE CLOSE AND WARM COOP-  
ERATION WHICH I HAVE KNOWN FROM ALL SERVICES OF THE KHMER  
GOVERNMENT, PERMIT ME TO ADD MY PROFOUND PERSONAL REGRETS.  
WVLEVERS, IMF RES REP. UNQUOTE.

3. IT IS OUR VIEW THAT ENTIRE TEXT OF LETTER SHOULD BE  
BROUGHT TO WOODLEY'S ATTENTION. WE ARE AWARE THAT IMF MANAGEMENT  
INSTRUCTIONS TO ITS RES REP HAVE ALWAYS BEEN VAGUE AND INDEED  
OFTEN NON-EXISTENT BUT IN THIS CASE IT SEEMS VITAL THAT IMF  
MANAGEMENT INSTRUCTIONS BE EXPLICITLY TRANSMITTED TO GKR AT  
HIGHEST LEVEL.

IF EVERS LETTER IS UNAUTHORIZED OR CONTAINS STATEMENTS IN  
VIOLATION OF HIS INSTRUCTIONS, WE WOULD HOPE THAT IMF MANAGEMENT  
COULD SEE ITS WAY CLEAR TO SO ADVISE GKR.

ENDERS

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